

FRACTIONAL CURRENCY COLLECTORS BOARD  
c/o M.R. Friedberg  
2537 Claver Rd.  
Cleveland, OH 44118

August, 1989

SUMMER NEWSLETTER

- 1) Attached you will find a Secretary's Report of the Memphis Meeting, Treasurer's Report, and a Membership Listing.
- 2) Dues were set at the meeting to be calendar year with dues payable without prorating. Those of you who have not paid their \$10 current dues will find enclosed an envelope addressed to Dr. Lee, our Treasurer. The envelope represents our last effort to request your continued membership in 1989. This is the last mailing for those with envelopes contained here.
- 3) Unfortunately we are losing an active Fractional dealer since Terry Cox (Vintage Fractional) has announced a shift out of currency dealing and into other mail order fields. His promotion of our organization was most productive. At the Memphis meeting, a committee was appointed to study grading standards based upon Terry's prodding. Mike Marchion is heading the committee of dealers.
- 4) Last year at Memphis, one of our members ran across a vendor of wooden boxes inset with an etched metal cover illustrating a Fractional note. Ten boxes were ordered and sold to attendees. This year, Martin Gengerke accepted the task of making the box available to our entire membership. The box size has been made more adaptable to Fractional and has a different Fractional note illustrated. Details of how to obtain one of the boxes is attached.
- 5) Status of "The Encyclopedia of United States Fractional and Postage Currency" reissue is that the latest version is currently being produced on a Laser Printer. The first printout has been corrected and the final copy is currently being printed in the spare time available from Martin Gengerke's Laser Printer. After the final proofing is over, there will be 150 copies photocopied for distribution to you and to the new members we hope to attract. These photocopied books will not contain illustrations! But they will be in your hands before Santa Claus arrives! In addition, if the events described in the next paragraph do not happen, we will issue the illustrations for the book as a separate item during 1990. In the meantime, an offer has been received to reissue the book as a printed item for sale through the normal hobby sources. If the offer reaches fruition without too many snags, the book should be on the store counters about this time next year. Obviously the printed edition will be completely illustrated. Many thanks are due to Dick Balabaton for his efforts toward getting the book published. Doug Hales was most instrumental in getting Balabaton and I together...
- 6) Also attached are photocopies of interesting articles that have appeared since our last mailing.
- 7) Please use the membership application attached to have your friends join us in our common interest.

APPLICATION FOR MEMBERSHIP  
THE FRACTIONAL CURRENCY COLLECTORS BOARD

C/o M.R. FRIEDBERG  
2537 CLAVER ROAD  
CLEVELAND, OHIO 44118

ATTACH \$15.00 FOR DUES FOR THE PERIOD ENDING JUNE 15 WHICH INCLUDES A \$5 NEW MEMBER CHARGE FOR THE LATEST UPDATE TO THE M.R. FRIEDBERG "INDEX TO THE ENCYCLOPEDIA OF UNITED STATES FRACTIONAL & POSTAL CURRENCY." MEMBERS RECEIVE NEWSLETTERS AS ISSUED AND HAVE FULL VOTING PRIVILEGES. ANNUAL MEETINGS ARE HELD EACH JUNE IN CONJUNCTION WITH THE "MEMPHIS PAPER MONEY SHOW" AT MEMPHIS, TENNESSEE.

NAME.....  
COMPANY NAME.....  
ADDRESS.....  
CITY.....  
STATE..... ZIP CODE.....  
WORK PHONE.....  
HOME PHONE.....  
COLLECTOR ?..... DEALER ?..... COLLECTOR/DEALER ?.....  
MEMBERSHIP RECOMMENDED BY.....  
DATE SUBMITTED ..../../..

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MINUTES OF THE 1989 FCCB  
MEMPHIS MEETING  
JUNE 23, 1989 - 11:00 A.M.

The meeting was called to order at 11:05 A.M. by President Doug Hales.

A Treasurer's report by Dr. Wallace Lee disclosed a total of \$948.31 on hand with more dues money coming in.

In a rather informal fashion, yours truly, William Brandimore was unanimously designated Secretary - replacing Martin Generke who will continue to serve the organization as ANA representative.

Rounding out the officers for the year are:

President	- Doug Hales
V.-President	- Milt Friedberg
Treasurer	- Wallace Lee; and
Membership Chrmn.	- Benny Bolin.

OLD BUSINESS

A brief discussion of "The Book." Milt Friedberg explained that we could xerox 216 single or 108 double-sided pages at 2.50 cents per copy - no photos - for a suggested ~~COST~~ of \$9.00 per unit. Milt recommended we make up copies (no photos) double-sided, for distribution to our current roster of 90 members with additional copies for new members. Milt explained the book should be published with photos by next years Memphis show - or the photos would be passed out separately. B & R Printing and Publishing will be working with us through Richard Balbaton. ~~Milt needs 20 people to write him a letter expressing their interest in the book.~~ A motion to pursue this course of action - get the xeroxes out and follow up with B & R was made by John Wilson, 2nd by Mike Marchion. The motion carried.

NOT  
NECESSARY  
MILT F.

NEW BUSINESS

Benny Bolin is interested in information on F.C.C.Boyd - for research purposes and he will put together something on this topic for our education and enlightenment.

A discussion followed on the merits of a grading standard - perhaps that already developed and adopted by fellow FCCB'er, Terry Cox. It was decided that Mike Marchion would head a committee to explore the possibilities.

1989/90 dues - or do they cover a calendar year. Spirited discussion by all regarding how to bill new members if they signed up in March or April, etc.

FCCB Minutes - June 23, 1989  
Page Two

Bill Brandimore made a motion that the membership year be 1/1 to 12/31 with dues payable at Memphis each year. Anyone joining prior to the Memphis show would be paid up for the full calendar year. 2nd by Dr. Wallace Lee. Membership voted to so do.

Martin Gengerke presented the opportunity to purchase a hand made wooden box with a steel "etching," or some such process, illustrating a fractional note, for club members. A \$35.00 dollar box would be available for \$25.00 + postage. Ten people necessary - twelve signed up. Martin will be in contact - if not, contact him. The boxes are quite attractive.

Awards: Presentation by Mike Marchion who noted that the judging was close and that Martin Delger had done a great job, as usual, in coordinating the exhibits.

3rd Place - John & Mary Wilson  
2nd Place - Benny Bolin  
1st Place - Doug Hales

Plaques were presented, courtesy of Len and Jean Glazer - fractional currency dealers - extraordinaire - thank you Len and Jean.

Martin Delger made some general comments on how rewarding it was working with the exhibitors.

A presentation followed - Bill Brandimore's "Abraham Lincoln and his civil war cabinet on fractional currency."

With the conclusion of the presentation Martin Delger recommended we use the Lincoln 50¢ note to illustrate our custom boxes - this was supported by acclamation.

It was decided to follow the same format next year - general meeting, with an educational program, without culinary additives.

Meeting adjourned at 12:00 noon.

Respectfully submitted,

William Brandimore  
Secretary, F.C.C.B.



# Collectors' Workshop



## Color plays major role in stamp collecting

"That's a pretty red stamp!"  
"He thought that was a very nice carmine-colored issue."  
"What a great shade of scarlet ink on that stamp!"  
"That stamp was the bright-

est vermilion I've ever seen."  
These four speakers are actually referring to the very same stamp.

### Refresher Course

By Steven J. Rod

When learning about stamp colors, we soon find out that color identification problems frequently plague collectors.

Color plays an important part in stamp collecting. Identifying a stamp's color is sometimes a key component to properly identifying the stamp. Often, this can affect the value of a stamp as well.

The listing for Scott No. 703 is a good example of why color identification is important. It is shown in Figure 1. There are major differences in value, depending on the stamp's color.

Just as knowing how to accurately detect a watermark on a stamp, or being able to measure its perforations are important skills for the collector to learn, so is the ability to determine the accurate color of a stamp.

Research into our hobby's history shows us that collectors have been concerned with attempting to standardize color identification since the beginnings of stamp collecting.

In 1884, the National Philatelic Society produced an 80-page book titled *A Color Chart*, "designed to illustrate and identify the colors of postage stamps."

One hundred fifty different colors are represented in this publication, with "six shades of each being given, running from dark to light."

The preface of *A Color*

Chart expresses the hope that "this number will be sufficient for all practical purposes, and that the chart will become standard among Philatelists in all parts of the

Department prior to 1894, and at the Bureau of Engraving and Printing itself, had huge inkwells.

One of the tasks involved in printing stamps on presses

ling the printing process. And, as reported on the front page of *Linn's* May 3 issue, wrong color inks are occasionally used.

The color of a stamp is also greatly affected by the manner in which the stamp is stored. Knowledgeable stamp dealers will never place valuable stamps in glass showcases that are exposed directly to natural sunlight or artificial fluorescent or incandescent light for long periods of time.

Always remember to store your stamps out of direct sunlight, and not keep them under artificial light (light bulbs) for extended periods of time.

Accurate color identification of shade-variety stamps takes much study.

Organizations such as the Philatelic Foundation in New York City have developed color reference collections. They

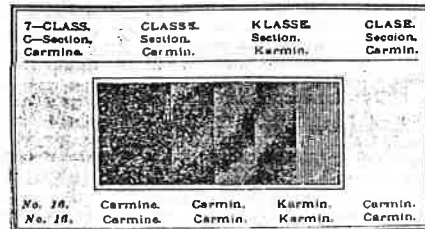


Figure 2. This photographically cropped page is from an 1884 color chart that was printed in four languages. It was an early attempt to help collectors classify stamp colors.

world."

The book was printed in English, French, German and Spanish. A page from this publication is shown in Figure 2.

While *A Color Chart* was a noble attempt, it never caught on significantly with collectors.

Another example of the perpetual concern of collectors attempting to identify colors is a delightful 34-page miniature stamp album, the cover of which is shown in Figure 3.

This album could be considered the ultimate paradox in the world of stamp color. It depended on single copies of specific stamps to create a color chart.

Many other examples of this type of solution can be cited. All of them prove that an objective scale of stamp color identification has never been developed.

How did the problem of stamp color identification originate? Why are so many stamps, which were designed to be printed in a particular color printed in many varieties of that designated color?

The early printing presses of both private contractors to the United States Post Office

with these inkwells was to always be sure the inkwell had a sufficient supply of ink to print the stamps.

It was up to the inkboy to



Figure 3. This 1897 color chart/album relied on single copies of actual stamps to identify colors.

add ink to the well. As he poured in inks to keep the presses supplied, various shades were created.

Some of these shades were created because the amount of ink and pressure applied against the paper varied from printing to printing. Others are due to differences in the paper or inconsistencies in the ink.

Sometimes shades were created deliberately, but most of the time it was totally by accident.

Even with today's high-speed presses, shade differences sometimes develop dur-

ing the printing process. And, as reported on the front page of *Linn's* May 3 issue, wrong color inks are occasionally used.

Since most collectors do not have access to such color reference collections, they must find another way of learning about color. One is to attempt to make their own reference collection of shades on a stamp or series of stamps that interests them. If you want to attempt this, keep a copy of each stamp that appears to be a different shade. The problem here is that eyesight

problems and room lighting problems might affect your



Figure 4. These Pan-American color invert stamps were caused because two colors required two passes through the printing press.

selection process. Color changelings are stamps whose original color has been changed.

This may have been done on purpose with certain chemicals, or exposure to light in order to make the stamp appear to be more valuable than it was in its original state.

For example, a purple stamp (valued at \$1) can be changed into a shade of blue (a variety valued at \$10) with the use of chemicals.

Certain stamps' colors have changed due to prolonged exposure to air. This type of changing is said to be caused by oxidation.

Bicolored means that two different colors of inks were used to print a stamp. On earlier printing equipment, this often required two separate passes through the press.

The most famous bicolored stamp ever issued was the 24¢ red and blue U.S. airmail stamp of 1918 (Scott C32), in which one sheet of 100 stamps was discovered to have one of the two colors inverted, creating a spectacular stamp error.

Figure 4, shows the 1902

Pan-American bicolored commemorative inverts.

Some of the stamp paper was inverted prior to the second pass through the press (the center design), leaving the central vignette inverted on the stamps.

Had the central portion of the design (printed in black) been skipped altogether, a color-omitted error would have been the result.

The Philatelic Foundation has published a text by Roy H. White titled *Color in Philately*. It is considered the collector's basic text in the area of color. This work contains 10 chapters and sections, some of which are quite simple, and others more complex. A sample page from the glossary is shown in Figure 5. It contains definitions of words and terms that are relevant to the language of stamp color.

White's book may be purchased for \$39.50 from the Philatelic Foundation, 21 E. 40th St., New York, N.Y. 10016-0658.

The *Color in Philately* book is expensive because of the

production of the stunning, and very helpful color plates that are contained both in the text and in a free-standing supplement. The supplement contains 624 color samples. These samples are located in a pocket in the back of the book.

The text sells for \$25 to those who are contributors of \$25 or more to the PF (as a tax-deductible gift within the provisions of the tax laws).

This means that for \$50, you can support the Foundation, receive White's book, and receive a number of other free publications that Foundation members receive.

Complete details may be obtained by sending the Philatelic Foundation 45¢ in mint postage stamps with your request for its brochures.

Stamp production creates many color varieties. As a result, some aspects of color identification will always remain somewhat elusive to most collectors. But with the right amount of study, this area will be much less intimidating. ■

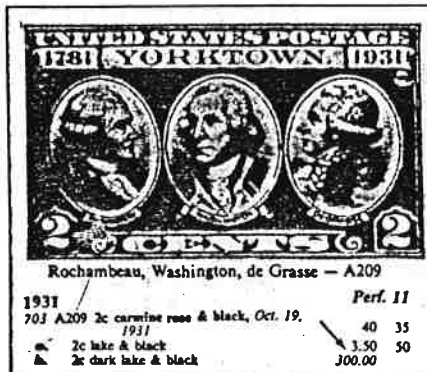


Figure 1. Shown here is a portion of the listing for Scott No. 703 showing the colors available. It illustrates how a stamp's color can dramatically affect its value.

### Glossary

This glossary includes technical terms and other words which have a special connotation in the language of color designation, and in the physical and chemical sciences and graphic arts which are applicable to philatelic studies. Extensive definitions are included for words or terms which may be unfamiliar to the general collector.

**aluminum:** a bluish-white metal which forms many compounds similar in opacity to those of calcium; not opaque or very dense in physical structure, but useful as a substrate (e.g., aluminum hydroxide) upon which dye colors can be precipitated.

**aniline:** chemically referred to as aminobenzene; now commonly used to "describe" any of the numerous dyes derived from the basic compound, aniline.

**aniline black:** blue dyes (soluble in water or other solvents) which have been chemically derived from aniline benzene.

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# Fractional notes early solution to coin demand

## Federal response to shortage

"I have a paper dime, and I've been wanting to ask somebody about it."

The statement was made by Mrs. George Horton, as we ate breakfast at her bed and breakfast establishment, The High Cotton Inn, Belleville, Texas. I told her that her

"paper dime" had been issued because of a shortage of small change during the Civil War. That such notes were called fractional currency, five different series were issued, and denominations of 3, 5, 10, 25 and 50 cents were produced. Mrs. Horton seemed satisfied with this short explanation, but you, as a New-mismatist, might like a bit more information.

### Using stamps

During that war-time period, before the advent of fractional currency, people were making-do with a number of expedients. One was the use of postage stamps. In 1862, Salmon Chase, Secretary of the Treasury, recommended either a reduction in the size of silver coins or the authority for issuance and use of postage stamps for small change. A bill for the postage stamp plan passed and became law over President Lincoln's signature in July.

A run on post offices to purchase stamps resulted. Matt Rothert in his *A Guide Book of United States Fractional Currency* tells us, "In New York, for example, stamp sales jumped from a daily normal of \$3,000 to over \$20,000 soon after the new law was announced."

The small size and the mutilage on the back of the stamps hardly made for convenient handling. To make them more useful and to reduce wear, small envelopes, usually with the value of the stamps printed on the outside, were used, but were unsatisfactory because the envelopes tore or the stamps soon stuck together.

One technique used consisted of pasting the stamps to small cards or pieces of paper sometimes folding it over to cover and protect the face of the stamp.

Another interesting solution was a device patented by John Gault of Boston. Small metal cases were manufactured to hold the stamps. The denominations were displayed through mica windows in the front and the back carried a merchant's advertisement. (If, as a New-mismatist, you haven't heard, encased postage stamps are desirable collectibles.)

Truly, postage stamps as small change provided no answer. The Treasury Department decided the answer was to produce notes a bit larger than, but resembling, stamps. Since the law of 1862 only authorized the use of postage stamps, this postage currency could not strictly claim to be legal. However, the notes passed in circulation and helped ease the money shortage.

On March 3, 1863, Congress authorized the issuance of fractional currency.

### Postage currency

Today, syndrophists (paper money collectors and students) generally consider the 1862 issues to be a part of what is called fractional currency, though many like to separate it from the later issues and refer to it, no doubt more correctly, as postage currency.

Five issues of fractional currency were produced. The First Issue, the postage currency issue, was printed by private businesses for the government. The National Bank Note Co. printed the face and the American



## New-mismatist

By Col. Bill Murray

Bank Note Co., the back. The First Issue, produced from August 1862 to May 1863, had denominations of 5, 10, 25 and 50 cents.

The cost of having the private bank note companies produce the notes proved excessive. When the 1863 law was passed, the Treasury Department had determined that it could print the notes more economically itself. That 1863 law also "legalized" the previously issued postage currency by including a statement that it did "... apply equally and with like force to all fractional notes heretofore authorized, whether known as postage currency or otherwise, ..."

Denominations for the second series were the same as for the first: 5, 10, 25 and 50 cents. It was issued from October 1863 to February 1867.

D.W. Valentine, in his two-volume work, *Fractional Currency of the United States*, says, "Counterfeits of the Second General Issue were more numerous than those of the First Issue and of much better workmanship; this and the increased demand for fractional currency necessitated the change of type and created two additional denominations, though one of these, the fifteen-cent denomination, was only made as an 'essay,' the other, the three-cent denomination, is the first and the only one of such denomination in all issues. ..."

### New coins replace notes

The Third Issue, produced from December 1864 to August 1869, consisted of denominations of 3, 5, 10, 25 and 50 cents for circulation and a few one-sided printings of the "essay" of 15 cents. The 3-cent note was eliminated by the Act of Congress of March 3, 1865, which authorized coinage of the copper-nickel 3-cent coin.

An Act of Congress May 17, 1866, provided for the coining of the 5-cent piece and stated that no notes in denominations of less than 10 cents could be issued. The Fourth Issue, then, consisted of 10-, 15-, 25- and 50-cent notes. Note that the 15-cent note was issued for circulation this time. The Fourth Issue was produced from July 1869 to February 1875.

Appropriations for the fractional currency were nearly depleted, and no new funds were forthcoming. Consequently, the fifth series had only three denominations: 10, 25 and 50 cents. The Fifth Issue began in February 1874 and continued until February 1876.

Acts of Congress in 1875 and 1876 provided for the redemption of all of the notes with the now plentiful coins.

Though a good bit larger than stamps, none of these notes are as large as our current small-sized currency. They are attractive and numerous varieties exist. The next time you visit your local dealer or a coin show, ask about them. You will find them interesting, and may even become sufficiently enamored of them to buy a "paper dime" or, even, start a collection.

Col. Bill Murray, San Antonio, Texas, has been writing his New-mismatist column since June 1974.

# Paper money collectors gather in Memphis

## More than 1,000 from around the world attend 13th annual show

By Robert M. Lacewell  
COIN WORLD Staff Writer

Paper money enthusiasts from around the world gathered in Memphis, Tenn., June 23-25 for the 13th International Paper Money Show sponsored by the Memphis Coin Club.

More than 1,000 people attended the three-day show with more than 125 dealers in attendance.

The show featured an auction, educational programs, club meetings, exhibits, awards and more. Other show features included a demonstration of the spider printing press by the Bureau of Engraving and Printing, the BEP's "Billion Dollar Exhibit," a BEP souvenir card and intaglio print, and a souvenir card by the American Bank Note Co.

James Boyer, BEP plate printer, demonstrated the spider press at the show. He said the press was used after the Civil War and into the 1870s. The intaglio print produced for the show included a design originally used in 1876. The original master die used to print the design was used in the spider press to "pull" 30 special hand-printed intaglio prints at the show. The cards were sold for \$50 each to 30 people whose names were drawn. The prints were each signed, dated and numbered by Boyer.

The BEP produced 7,500 souvenir cards for the show featuring the face side of a Series 1907 \$5 United States note and 3,000

intaglio prints featuring an agricultural scene.

### Muted colors

The BEP's souvenir card program was one of the topics of discussion at the June 24 regional meeting of the Souvenir Card Collectors Society at the show. Steve Manset, chief of graphic design at the BEP, spoke about the program at the club meeting. He said the cards for fiscal year 1990 will be "toned down this year." He said the colors will be soft with muted backgrounds and there will be more white areas on the cards for cancellations. Manset said the cards will celebrate the period of 1890 to 1990 as the "American Renaissance" with cards honoring famous Americans of the time such as Mark Twain, Thomas Edison and George Washington Carver. He said the designs will be tied in with the cities and states in which the shows are held that the BEP will attend.

Manset said the BEP will switch the type of paper used to produce the cards to one that is more suitable for intaglio printing. He said there is a possibility that the BEP will produce a special print for 1990 honoring the engravers' art.

"The program is alive and well," Manset said. "[BEP Director] Peter Daly is interested in the souvenir card program and the engravers' art and is in tune with what collectors want."

According to club members, the popularity of souvenir cards is increasing. The club has 783 members. A printed club logo was presented to Lee Quast, advertising manager for the club's journal, for his service to the organization.

The club will hold its annual membership meeting at the Nov. 17-20 World Stamp



FRACTIONAL CURRENCY Collectors Board exhibit awards went to, from left, Benny Bolin of Allen, Texas; Douglas Hales of Lakeland, Fla.; and Nancy Wilson of Milwaukee.

Expo in Washington, D.C.

The club is offering for sale three souvenir cards. An American Bank Note Co. card with the SCCS overprint saluting the Statue

Please see PAPER Page 14

of Liberty is offered with the French and U.S. Statue of Liberty stamps canceled in Paris and Liberty Island for \$20 each. An ABNCo. Tobacco Distributors card of 1985 is offered at \$5 and a Washington Monument dedication reproduction card is available for \$2. To place orders for the cards, write to Dana Marr, Souvenir Card Collectors Society, P.O. Box 4155, Tulsa, Okla. 74159.

Membership in the SCCS is \$15 per year. Members receive the club's quarterly publication, *The Souvenir Card Journal*. For further information, write to Dana Marr at the above address.

### Wisner project continues

The Society of Paper Money Collectors met June 24 with 30 people in attendance. The club is working on the next book in its Wisner Project which will catalog the notes of Maryland. The club has 1,700 members.

The club is preparing a cumulative index of the organization's official publication. The index will include a membership list and a library directory for members.

Richard Balbaton was elected president of the SPMC and Austin Sheheen was elected vice president.

The speaker for the club meeting was Armen Youssefi, a paper money specialist from Iran who moved to the United States three years ago. He said he had lived in Iran during the Islamic Revolution and the fall of the Shah of Iran. He specializes in Persian and Iranian notes.

Youssefi presented a slide program highlighting the notes of Persia and Iran with historical background. He said ancient Persia stretched at one time from India to Egypt. The Persians were conquered by Alexander the Great in 330 B.C. By the end of the 19th century, Europe was interested in the area. He said four Persian kings visited Europe from 1868 to 1900. The British started the banking system in the region. Notes were first issued during the reign of Shah Nasr-ed-Din. The first notes included a por-

trait of the shah and a lion and sun motif. The denominations were in tomanas and were printed by Bradbury, Wilkinson & Co. Ltd. for the Imperial Bank of Persia. Some of the notes were printed with the phrase "Payable at Teheran Only." Other notes were overprinted with any of 25 branch issuing authorities with hand stamps.

The first issues under the name Iran were produced in 1932 for the Bank Mellat Iran. The notes included the portrait of Shah Reza and were in the rial denomination. Youssefi said the 1,000-rial notes were redeemable for 10 1-pahlavi gold coins. He said the notes of 1969 from the Bank Markazi Iran were printed in Pakistan by De La Rue. The color of some of the first notes issued faded when put into circulation so they were recalled and new notes were issued.

Youssefi said commemorative notes were issued by the Bank Markazi Iran in eight denominations from 50 rials to 10,000 rials. He explained that replacement notes have a zero in front of the serial number. Youssefi also explained the various revolutionary overprints used on the notes to discredit the deposed shah.

### Fractional note collectors

The Fractional Currency Collectors Board met June 24 with 20 members in attendance and discussed producing an index of articles published in the organizations publication.

The club has 91 members. The club presented exhibit awards for exhibits of fractional notes. First place was awarded to Doug Hales, second place went to Benny Bolin and third place was presented to John and Nancy Wilson. Each of the award winners was presented a plaque with a fractional note displayed on the engraved award.

The speaker at the meeting was William

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## PAPER from Page 14

Brandimore of Wausau, Wis., with a program about the portraits on fractional currency.

Brandimore discussed the political scene behind the men portrayed on the small denomination notes. Among those discussed were Abraham Lincoln, United States Treasurer Francis Spinner, Treasury Secretaries William Meredith and William Fessenden; and members of Lincoln's cabinet. Brandimore said for a president who had a number of enemies, Lincoln kept them close at hand so he could watch over them.

Dues in the FCCB are \$10 per year, with first year dues at \$15 which includes a copy of the index. For further information about the club, write to Benny Bolin, Route 1, Box 331-B, Allen, Texas 75002.







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# THE STANDARD CATALOGUE OF ENCASED POSTAGE STAMPS

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Michael J. Hodder  
O. David Bowers

FROM MEMORANDUM  
A most educational book that should  
be in your library - This is an  
excerpt from the introduction  
and discusses "POSTAGE CURRENCY"  
MILT F.

## Historical Background

The outbreak of the Civil War in 1861 caught the United States Treasury and Mint off guard, and the economic threat to the safety of the Union seems to have caused panic among those entrusted with the commercial health of the country. The result was a decline in the numbers of subsidiary silver coins struck and released for circulation. Beginning in 1862, the public hoarded coins, at first the larger denominations, but eventually even one-cent pieces. Widespread hoarding of available silver coins by the public, and the government's failure to provide a circulating coin medium adequate for trade, forced the people to supply their own needs with currency expedients in the form of cardboard "good-fors," copper tokens, and government stamps of all sorts.

This untenable situation had its beginning in December 1861 when Washington announced that it was suspending all specie payments. The effect of this ill-conceived measure was immediate. By January of 1862 subsidiary silver coinage began disappearing from circulation at a rapid rate. At the beginning of January \$100 in paper currency was worth \$97 in gold in New York City. By January 10 the exchange rate had fallen to \$95.24 and brokers began offering a 1% premium over face value for all silver coins. In the face of a rapidly declining paper dollar, the suspension of specie payments, and the general uncertainty in the early years of the war about its final outcome, the public began hoarding silver and even copper-nickel coins, and the shortage began to become acute.

The government's response was to authorize the first issue of "greenback" currency notes, on February 25, 1862. By the end of June of that year over \$100 million had been released, but this measure only served to drive the value of silver and gold higher. In New York City a paper greenback was worth 97 cents in gold in May of 1862; by mid-June its value had dropped to 95 cents, and by the end of that month a paper dollar was worth 92 cents in gold. The differential offered brokers an opportunity for profit, and large amounts of silver coins were soon on their way to Canada, where they could be exchanged for gold which was then imported back to the North and exchanged for more silver. Neil Carothers, in *Fractional Money*, stated that over \$25 million worth of silver coins vanished from circulation in the North during the summer of 1862, due to export and hoarding. The Treasury Department had estimated that \$27 million worth of silver was in circulation at the beginning of 1862. Even given the inaccu-

racies of both estimates, it should be clear that the North was faced with a severe shortage of silver coins by the middle of 1862.

In the urban centers of the North the shortage affected the small retailers and the urban transportation companies the hardest. Large stores with high business volume still made change using silver coins, but even they were charging a premium over the face values. In New York in July the premium reported by the *New York Tribune* was 5-6%. The *Chicago Tribune* reported on July 11 that the premium was 13%. Small retailers and service companies, lacking such access to silver, had to resort to other means of providing their customers with the means to make change. Cardboard "good-fors" began to appear, printed with the name of the establishment that issued them and exchangeable good for a meal, a drink, a trip (or a fraction of a trip) on a tramline, or whatever the service provided.

By mid summer 1862, public voices began to decry the government's failure to answer the pressing need for more silver coins, and suggestions were made for temporary expedients to alleviate the shortage. In the *New York Tribune* of July 9 Horace Greeley recommended that postage stamps be used in lieu of coins for small transactions. He suggested that stamps could be pasted onto one half of a sheet of paper, and that the other half folded over the stamps would protect them from the elements. Government postage stamps had already been appearing in the hands of commuters and customers of retail stores, but in their normal state stamps were a poor substitute for coins. They were printed on thin paper which tore or wrinkled easily, and the glue on their backs made them stick to wet fingers and gloves.

Greeley's suggestion was adopted by several New York firms almost immediately. John Gault was not the only person to devise a means of increasing the circulation life of postage stamps in the summer and fall of 1862. In July 1862, a month before Gault received his patent, the New York firm of Leeds and Franklin was selling stamps pasted onto boards at a 2½% premium over face for amounts under \$100. On July 16 the company wrote to Postmaster General Blair, soliciting his approval of their scheme and requesting a dedicated supply of stamps to be furnished to them. Blair's reply is unrecorded, but knowing his feelings about the effects of the Act of July 17, 1862, he probably did not give his sanction.

In Newport, Rhode Island, the William Newton & Co. firm of grocers had notes printed dated July 4, 1862 in the denominations of 5c and 10c, 25c, and 50c. The former bore one 3c and two 1c stamps pasted on, while the latter bore three 3c and one 1c stamp. These were issued in small numbers. Each carried the following warning at the bottom of the note: "Unless kept clean these stamps will be useless for circulation and Post Office purposes." An example of each was owned by Henry Russell Drowne and shown in the July 1913 issue of *The Numismatist*.

In Washington, Secretary of the Treasury Salmon P. Chase wrote to Congress on July 14, urging that an increased supply of small change be made available to the public and suggesting that government stamps be legal-

ized as currency for small transactions. Down the hall from Chase's office, Treasurer Francis E. Spinner had already decided to use stamps for some business. Spinner's office was pasting stamps onto sheets of Treasury Department letterhead which were cut to uniform size, many of which bore his signature, in amounts of 5c, 10c, 25c, and 50c. He had even arranged with the Washington Post Office that soiled or disfigured stamps would be redeemed for new ones. Spinner's expedient later became the inspiration for the first postage currency issue of August 1862.

Public outcry, Chase's suggestion, Spinner's example, and the country's need led Congress to adopt the Act of July 17, 1862, an imprecisely worded emergency measure taken without adequate consultation with the Post Office Department on whose shoulders the burden of the Act would fall. The Act immediately authorized the Treasury to supply all forms of government stamps to assistant treasurers, who were empowered to exchange the stamps for greenbacks. By August 1 stamps were to be redeemable for greenbacks at all Treasury offices, and were made receivable for all government dues in amounts under \$5.

The Act made no provision for giving stamps legal tender status, nor did it provide for increasing the number of stamps to be printed to supply the proposed increased demand. In fact, Postmaster Blair was not even consulted about the proposed legislation before its passage. When the Act passed, Blair was faced with the need to increase the numbers of postage stamps being printed by the National Bank Note Company of New York. If this was not bad enough, the public interpretation of the Act soon made matters worse for the Post Office.

When the wording of the Act was published in Northern newspapers the public made the inevitable misinterpretation its general wording ensured. To the average man, the Act seemed to make government stamps of all kinds legal tender in small amounts. The immediate result was a run on local post offices, where stamps could be bought for greenbacks at par values.

The Annual Reports issued by the Post Office Department reveal the full and quite unforeseen impact of the legislation. In the first quarter of fiscal year 1862 \$1.9 million worth of stamps were sold in all post offices of the North; in the second quarter, \$1.8 million were sold. In the third quarter of that year, when figures reflect the increased public demand following passage of the Act of July 17, the amount sold rose to \$3.2 million, or nearly double the amount previously. When the numbers of stamps sold by denomination between September 1861 and June 1862 are compared with those sold between September 1862 and June 1863, the number of 1c stamps sold increased over that term by 14.6%, the number of 3c stamps increased by 41%, the number of 5c stamps sold increased by 115.5%, and the number of 10c stamps sold increased by 40%. These smaller denominations corresponded to contemporary coin denominations. The numbers of 24c and 30c stamps sold also increased, by 16% and 10% respectively,

while the sales of 12c and 90c stamps showed a decline, of 5% and 20% respectively.

Faced with the clamorous demand for stamps at his local post offices and smarting under what he correctly felt was Congress's failure to provide his department with the means to meet the increased demand for stamps, Postmaster General Blair began taking steps to limit the unforeseen effects of the Act of July 17.

When the New York City postmaster exhausted his supply of stamps due to public demand, Blair telegraphed ordering him to "Restrict sales of postage stamps to former customary amount per diem, as this department is not to furnish postage stamps for currency." In September 1862 Third Assistant Postmaster General A.N. Zevely sent a notice to the *United States Mail*, a publication whose readership included post office employees and managers, saying:

Sir: The recent demand by the public for postage stamps, under an erroneous impression with regard to the law authorizing the issue of "postage currency," has entirely exhausted the surplus stock, and the Department is now dependent upon the daily manufacture to meet the requisitions of postmasters. Sales of stamps must therefore be restricted to such as may be needed by the public for prepayment of postage, the ordinary demand at any office being the guide.

The key to the Act, which made the public believe that government stamps could be a currency substitute, was the implication that postage stamps could be redeemed at post offices for greenbacks, if not coins. Blair tried to limit the effect of this by requiring that the minimum redemption amount of stamps at post offices be \$5. Further, he resisted for as long as he could the ever growing public and political pressure for full redemption of all stamps at his post offices. His resistance was in vain, however.

In the December issue of the *United States Mail* Blair published the rules issued to postmasters which would govern the redemption of stamps used as currency. The rules were made cumbersome and required minute examination of each stamp offered for redemption. Stamps were to be made up into parcels of at least \$5 value, the parcels to bear the owner's name, the amount contained by denomination, and only stamps obviously showing signs of use as currency were to be accepted for redemption. Any new stamps were refused, as were those that showed signs of having been used for mailing purposes. Stamps were to be presented for redemption within 30 days at specially designated post offices, but no guarantee was given that funds would be released within that period. Any stamps offered for redemption after the 30 day grace period would be refused.

First postal currency issue 25c denomination



In January 1863 the *United States Mail* reported on the redemption process in New York City:

The redemption of postage stamps which have been used as currency, has been in progress at the New York office since the 15th ult., and up to this time the number of packages over \$5.00, for which receipts have been given, is 2,462, to the value of \$180,000, of which about \$23,000 have been paid. About \$6,000 in sums of less than \$5.00 have been paid on presentation. It is believed that the greater part of the large lots have been deposited, although the long line of applicants shows, as yet, no sign of diminution. The hour for commencing redemption is 10 A.M., but long before that time the lobby is crowded with those desirous of "realizing" on their gum-backs. At 2 P.M., the hour for closing, a large number are daily "left out in the cold," but they usually bear their disappointment philosophically, and console themselves by endeavoring to secure "front seats"

by an early call the next day. Various ingenious dodges are resorted to by some to avoid the tedious necessity of waiting their turn, but most of such attempts are rendered abortive, by the vigilance of the officers detailed to preserve order in the line, and the rule of "first come first served" is in general rigidly adhered to.

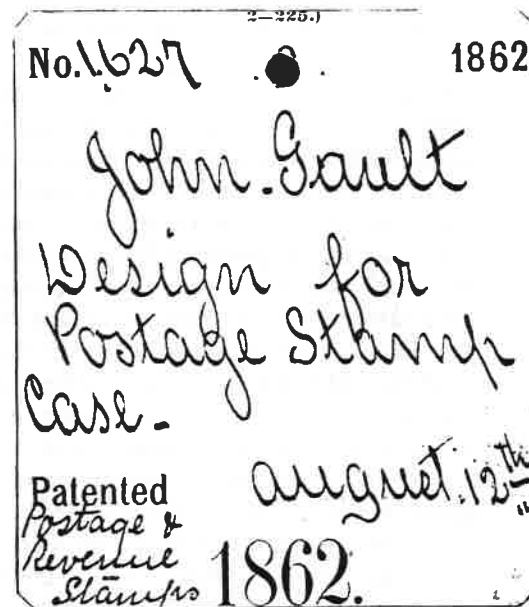
Some ten clerks are employed in receiving, receipting for, counting, and inspecting the stamps offered—and the latter duties will probably occupy them for a considerable time beyond the period (15th inst) fixed for the cessation of the redemption at the New York office.

Drawing upon Spinner's ingenious expedient for its inspiration, the first postal currency issue was the government's next answer to the severe shortage of coin in circulation. These printed paper notes had perforated edges, like overgrown postage stamps, and were issued in denominations of 5c, 10c, 25c, and 50c. These were first issued in August 1862, principally to army paymasters; by September sales to the public commenced. Demand was extremely strong at first, and permits had to be issued allowing the bearers to purchase fixed amounts of the new issue. Lines formed outside Treasury offices as they had outside post offices, and in the New York City Sub-Treasury a sign was posted asking the public's forbearance until adequate supplies of the issue had been received.

By the summer of 1863 the coin shortage emergency had begun to fade. Over \$20 million worth of the postal currency issue was sold by May 27, and the Treasury had distributed over \$30 million worth of greenbacks.

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## Introduction to Encased Postage Stamps



The original model for encased postage stamps as submitted by John Gault to the Patent Office.

It was into this milieu that John Gault introduced his scheme for encasing postage stamps as currency. When the idea came to him is unknown,

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